

Message Text

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QUOTE

C O N F I D E N T I A L BONN 15205

E.O. 11652: GDS
TAGS: EEW, ETRD, CH, GW
SUBJECT: FRG ECONOMICS MINISTER FRIDERICH'S VISIT
TO CHINA

1. ECONOMICS MINISTRY SOURCE TOLD EMBOFF SEPT. 12
THAT ECON MINISTER FRIDERICH WAS QUITE PLEASED
WITH HIS TRIP TO CHINA FOR THE OPENING OF THE
TECHNOGERMA TRADE FAIR. FRIDERICH TOLD OUR SOURCE
THAT HE WAS PARTICULARLY IMPRESSED WITH THE PRAGMATIC
APPROACH TAKEN BY THE CHINESE IN PRIVATE DISCUSSIONS
ON RELATIONS WITH THE WEST, IN MARKED CONTRAST TO
THEIR MORE VOCIFEROUS POSITION IN THE UN AND OTHER
PUBLIC FORA. FOR THIS REASON FRIDERICH CONSIDERED
THIS, HIS FIRST TRIP TO CHINA, PERSONALLY QUITE
WORTH WHILE.

2. OUR SOURCE REPORTED THAT THE FRG VIEWED THE TRIP
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AS MERELY ONE STEP IN THE DEVELOPMENT OF FURTHER

TRADE AND ECONOMIC COOPERATION BETWEEN THE TWO COUNTRIES, AND THAT LACK OF STRIKING RESULTS WAS TO BE EXPECTED SINCE NO INITIATIVES WERE PLANNED BY EITHER SIDE. CHARACTERIZING FRG CONTACTS WITH CHINESE OFFICIALDOM AS FRIENDLY AND ENCOURAGING, OUR SOURCE INDICATED THAT FRIDERICH'S NOW BELIEVES THAT THE PROSPECTS FOR EXPANDED ECONOMIC RELATIONS WITH THE CHINESE ARE QUITE GOOD.

3. IN THE TRADE FIELD, GERMAN EXPORTS CONTINUE THEIR HIGH RATE OF GROWTH, WITH PROSPECTS FOR THE FUTURE EVEN BRIGHTER. OUR SOURCE BELIEVES THAT THE CHINESE ARE MAKING A CONSCIOUS EFFORT TO REDUCE THEIR DEPENDENCY ON JAPAN FOR HIGH TECHNOLOGY AND PLANT IMPORTS, WITH GERMANY HOPING TO REAP A LARGE SHARE OF INCREASED CHINESE PURCHASES OUTSIDE OF JAPAN. RECENT AWARD OF A STEEL PLANT CONTRACT TO AN FRG FIRM TENDS TO CONFIRM THIS VIEW. THE FRG EXPECTS TO MAINTAIN ITS STRONG PERFORMANCE IN THE MACHINERY FIELD AND TO EXPAND ITS EXPORTS IN THE CHEMICAL SECTOR. FRIDERICH'S TOLD A PRESS CONFERENCE AUDIENCE ON SEPT. 9 THAT PROSPECTS IN THE CONSUMER GOODS SECTOR ARE STILL NOT GOOD.

4. ON THE IMPORT SIDE, OUR SOURCE ACKNOWLEDGED THAT THE PRC HAS LITTLE TO OFFER THE FEDERAL REPUBLIC AND THAT DIFFERENT MARKETING AND ECONOMIC SYSTEMS MAKE IT DIFFICULT FOR FRG IMPORTERS TO MARKET THOSE PRODUCTS THAT ARE OFFERED. THE FEDERAL REPUBLIC IS HOPEFUL THAT RAW MATERIAL IMPORTS WILL HELP OFFSET THE GROWING TRADE IMBALANCE BETWEEN THE TWO COUNTRIES. AS FRIDERICH'S INDICATED IN A SEPT. 9 TELEVISION INTERVIEW, HOWEVER, THE COST OF TRANSPORTATION IS AN INHERENT PROBLEM IN EXPANDING RAW MATERIAL IMPORTS. ONLY THOSE MATERIALS WITH A HIGH VALUE TO UNIT WEIGHT RATIO CAN BE CONSIDERED. NEGOTIATIONS HAVE BEGUN FOR PURCHASES OF TUNGSTEN, AND ONE GERMAN FIRM IS HOLDING DISCUSSIONS WITH THE CHINESE ON PURCHASES OF COAL FOR DELIVERY TO THIRD MARKETS. THE CHINESE RAISED THE PROBLEM OF EC IMPORT

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QUOTAS ON TEXTILES AND MUSHROOMS, BUT FRIDERICH'S DEMURRED, REFERRING TO THE COMMISSION'S COMPETENCE IN THESE MATTERS. IN HIS TELEVISION INTERVIEW OF SEPT. 9, HE REPORTED THAT THE CHINESE NOW SEEM INCLINED TO RECOGNIZE THE EC'S JURISDICTION IN THE TRADE FIELD.

5. IN THEIR DISCUSSIONS WITH FRIDERICH'S, THE CHINESE

CONFIRMED THAT THEY HAVE NO INTEREST IN GOVERNMENT-TO-GOVERNMENT CREDITS. THEY CONTINUE TO USE NORMAL COMMERCIAL CREDITS WITH GRACE PERIODS. THE FRG CONTINUES TO CONSIDER THE PRC A GOOD CREDIT-RISK AND HAS BEEN APPROVING ALL APPLICATIONS FOR HERMES GUARANTEES.

6. THE INTEREST OF BOTH SIDES IN EXPANDING AND REJUVENATING THE ROLE OF THE MIXED ECONOMIC COMMISSION, WHICH LAST MET IN JUNE 1974, WAS DISCUSSED BUT AN AGREEMENT WILL NOT BE FIRMED UP UNTIL CHANCELLOR SCHMIDT VISITS PEKING LATER THIS YEAR. THE GERMANS EXPECT THE FIRST COMMISSION MEETING TO TAKE PLACE NEXT SPRING.

HILLENBRAND UNQUOTE KISSINGER

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